USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 9/15/2014

GAIN Report Number: GM14030

Germany

Food Processing Ingredients

2014

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Report Highlights:
The German food industry represents the fourth biggest industry in Germany. In 2013, Germany produced an estimated $234 billion in processed food and drinks. The following products have good sales potential on the German market: nuts, fish and seafood products, fruit and vegetables, highly processed ingredients, bakery products, dairy products, pulses and specialty grains.

Post:
Berlin

Section I. Market Summary

Despite the financial crisis, the German food industry has been very assertive and developed a balanced economic dynamic by new product innovations addressing the needs of the market and meeting conditions of the export industry. Consequently, food processing represents the fourth biggest industry in Germany.

In the European Union (EU), Germany is the largest food and drink producer and the second largest food industry with respect to value added and numerous companies that are underpinning the German food and drink industry as a pillar of their economy. The retail markets key characteristics are consolidation, market saturation, strong competition, and low prices. Germany is an attractive and cost-efficient location in the center of the EU. The market supplies many wealthy consumers who follow value-for-money concepts.

The food processing industry in Germany

In 2013, the value of the German food industry was about $234 billion. About 6,000 food processing companies employ up to 550,000 people. The German food industry is characterized by small and medium-sized companies. Roughly 95 percent of the firms have less than 250 employees and represent family run businesses or local bound companies. Nevertheless, they successfully export German food specialties worldwide and the industry has grown steadily over the past years.

Germany still has the lowest food prices in Europe. So it comes as no surprise that German citizens spend less than 12 percent of their income on food and beverages. Low food prices result from high competition between discounters and the grocery retail sale segment.

Imports of agricultural and fish products, Germany, 2013 figures, million $

Bulk Agricultural Products, total imports	15,265
Bulk Agricultural Products, imports from U.S.A.	731 (5%)
Intermediate Agricultural Products, total imports	18,170
Intermediate Agricultural Products, imports from U.S.A.	332 (2%)
Consumer-Oriented Agricultural Products, total imports	60,348
Consumer-Oriented Agricultural Products, imports from U.S.A.	1,020 (2%)
Fish and Seafood Products, total imports	5,113
Fish and Seafood Products, imports from U.S.A.	171 (3%)

Source: Global Trade Atlas

Key market drivers and consumption trends

The most important sectors of the food industry in 2013 were meat products and dairy, poultry & egg, sweet & baking products, alcoholic & non-alcoholic beverages, the processing of juices, and fruits & vegetables. Also, fair trade and organic products have become more important on the German grocery market. Germany is the second largest organic market of the world and presents good prospects for exporters of organic products (please see GAIN report for more information: Germany Retail Foods). 49 percent of Germans consider food quality “highly important.”

Another trend can be seen with regard to food standards. Food labeling is very common in Germany, so that many new labels – for example the regional label, the organic label or the animal welfare label – have been introduced or discussed in Germany lately. Another trend in the German food processing ingredients sector revolves around sustainability. Therefore, Germany hopes to reach 20 percent of all farms to be organic and to promote sustainability in the entire chain from cultivation to production of food to the sale as part of its sustainable strategy.

Advantages and Disadvantages

Advantages	**Challenges**
Germany is the biggest market in Europe with one of the highest income levels in the world.	German consumers demand quality and low prices.
Many German consumers are uninformed about the details of sustainability and there is yet room to define a U.S. sustainability message.	No unified U.S. sustainability message in the German market.
Germany is among the largest food importing nations in the world.	EU regulation and tariffs give preferential access to products from EU countries. USA exporters face competition from tariff-free products from other EU countries.
The demand for sustainable food ingredients and sustainable foods is growing.	Listing fees paid to retailers and money spend on creating brand awareness hamper the introduction of new U.S. brands.
A large, well developed food processing industry requiring a wide range of ingredients, from low-value, unprocessed foods to high-value, highly-processed ingredients.	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting to Germany complicated.
The U.S. has a reputation as a reliable supplier of food inputs in terms of availability, delivery and quality.	Some products of modern biotechnology are prohibited.
Germany is centrally located in Europe with excellent transportation channels. Food processors are well situated to export products to other EU countries.	Differences between US and EU production systems for beef, pork and poultry keep some products out of the EU market.

Source: FAS Berlin

Section II. Road Map for Market Entry

A. Entry Strategy

U.S. companies seeking to export their goods to Germany are advised to research the market for a better understanding. Please see the FAS Attaché Reports and contact FAS Berlin for clarification on specific questions. The USDA Foreign Agricultural Service offers USA suppliers a number of valuable services to support them with market entry. Once U.S. companies have acquired this background information, they have several choices on how to enter the market. They may consider attending or visiting one of Europe's many USDA endorsed trade shows and other trade shows in Europe like the Health ingredients show and the Food ingredients show. They serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests.

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their commodity Cooperator Group and their State Department of Agriculture to obtain additional market entry support. The cooperators regularly organize Reverse Trade Missions, often organized around trade shows or other events, which are excellent platforms for U.S. suppliers of food ingredients to meet with foreign buyers:

FAS Attaché Reports
Excellent FAS Attaché reports for new-to-market exporters to Germany are:

- The Exporter Guide which contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors (please see Exporter Guide).
- The Import Regulations and Standards (FAIRS) report provide an overview of import regulation standards and required health and origin certificates (please see FAIRS Report).
- The Retail Foods Report gives an overview of the food retail market within Germany (please see Retail Report).
- The Organic Food Retail Report gives an overview of the organic food retail market in Germany (please see Organic Food Report)
- A complete selection of FAS reports can be viewed online at: http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx
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Foreign Agricultural Services Berlin
In order to obtain further information on the German market, trade shows, and other marketing sales opportunities in Germany, contact the USDA Foreign Agricultural Service Office in Berlin. Further contact information is provided at the end of this report.

State Regional Trade Groups
The State Regional Trade Groups (SRTG), regionally located in the United States, are non-profit trade development organizations that help U.S. food producers and processors to enter oversea markets. They are funded by USDA's Foreign Agricultural Service (FAS), the State Department of Agriculture, and private industry. They carry out promotional activities that increase exports of U.S. high-value food and agricultural products.

Activities range from the participation at international trade exhibitions, overseas trade missions, reverse trade missions, and export education to in-country research and point-of-sale promotions in foreign food chains or restaurants worldwide.

The SRTGs also administer a cost-share funding program called the 'Brand program' which supports the promotion of brand name food and agricultural products in overseas markets. For more information, contact the state regional trade group responsible for your state:

The four State Regional Trade Groups

Food Export Northeast Member states: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont E-Mail: info@foodexport.org Web site: www.foodexportusa.org	**Southern United States Trade Association** Member states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia E-Mail: susta@susta.org Web site: www.susta.org
Food Export Association of the	**Western U.S. Agricultural Trade Association**

Midwestern USA Member states: Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin E-Mail: info@foodexport.org Web site: www.foodexport.org	Member states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming E-Mail: export@wusata.org Web site: www.wusata.org

The U.S. Agricultural Export Development Council is composed of U.S. trade associations and other organizations, in addition to the SRTGs, with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to www.usaedc.org.

Participation in Trade Shows

Many of the largest trade shows in the world take place in Germany. Therefore, it is an excellent location for U.S. exporters to promote their products to get in contact with potential business partners, buyers, and to conduct product introductions. Further information about the most important German trade shows can be found in the following table:

German Trade Shows

ANUGA (every two years) October 10 – 14, 2015 www.anuga.com	One of the leading food fairs for the retail trade, and the food service, and catering market
VeggieWorld October 25 – 26, 2014 www.veggieworld.de	Germany's leading tradeshow for vegetarian products
Heimtextil January 14-17, 2015 http://heimtextil.messefrankfurt.com	World's biggest trade fair for home and commercially used textiles.
IPM – International Plant Show January 27-30, 2015 http://www.ipm-essen.de/	European trade fair for the horticultural and nursery industry
ISM (International Sweets and Biscuit Show) February 1-4, 2015 www.ism-cologne.com	World's largest show for snacks and confectionery products
Fruit Logistica February 4 – 6, 2015 www.fruitlogistica.com	The world's leading trade fair for the fresh fruit and vegetable business
Bio Fach February 11 – 14, 2015 www.biofach.com	Leading european tradeshow for organic food and non-food products
Internorga March 13-18, 2015 www.internorga.com	International tradeshow for hotel, restaurant, catering, baking, and confectionery trades
ProWein March 15 – 17, 2015 www.prowein.com	International trade show for wine and spirits
Interzoo (every two years) May 26- May 29, 2016 www.interzoo.com	Leading trade show for pet food and supplies
Equitana (every two years) March 14-22, 2015	Leading European tradeshow for the equestrian market

http://www.equitana.com/	

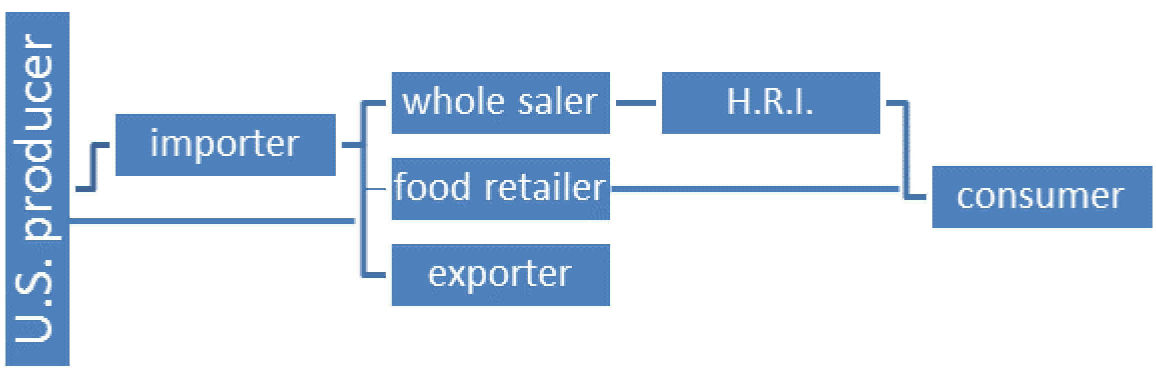
(Source FAS Berlin)

B. Market Structure

Depending on the type of food ingredients, there are different supply chains in the German food market. Generally, German producers source their ingredients from local producers or local importers. Only large processors import ingredients directly from foreign suppliers. Retailers usually purchase directly from the processor or the buying organization. The Hotel Restaurant and Institution (HRI) sector may purchase directly from a wholesaler whereas smaller HRI outlets generally purchase products from cash and carry operations.

U.S. exporters of food processing ingredients usually enter the German market through a specialized ingredients importer. A good importer will be your partner in promoting your product to his or her customers. Germany's food processing industry is well developed and has access to various food ingredients. U.S. products that have successfully entered the German market have a competitive advantage over the competition. This could include a lower price, higher quality, or a unique innovative quality. U.S. products not produced in the European Union or unavailable in large quantities usually fare well in Germany.

Supply



Chain

C. Company Profiles

An overview of the largest food processing companies in Germany

	Producer	Product Category	Sales in Germany in € Millions	Worldwide Sales in € Millions
1	Nestlé	Foodstuffs, coffee, sweets	3,653	67,900
2	Oetker	Foodstuffs, beer	3,375	10,011
3	DMK Deutsches Milchkontor	Dairy products	3,220	4,600
4	Vion Food Group	Meat	2,983	63,051

5	Tönnies Lebensmittel	Meat	2,838	4,300
6	Tchibo	Coffee, non-food	2,782	3,539
7	Unilever	Food stuffs	2,000	46,500
8	Landgard	Fruits, vegetables, flowers, and plants	1,780	2,006
9	Südzucker-Group	Food stuffs	1,766	6,990
10	Ferrero	Sweets	1,740	7,210
11	PHW-Group Wiesenhof)	Poultry	1,730	2,230
12	Theo Müller	Dairy product	1,700	4,600
13	Mars	Sweets	1,700	21,560
14	Westfleisch	Meat	1,608	2,206
15	Kraft Foods	Coffee, sweets, food stuffs	1,400	39,100
16	FrieslandCampina	Dairy products	1,317	9,630
17	Bitburger	Beer	1,070	1,090
18	Heristo	Meat, pet nutrition	1,000	1,550
19	Bayernland-Gruppe	Dairy products	962	1,146
20	Barilla/Lieken	Pasta, baking products	900	3,916
21	Danone Gruppe	Dairy prodcuts	890	19,320
22	Krüger	Food stuffs	890	1,670
23	Rotkäppchen-Mumm	Alcoholic beverages, spirits	832	832
24	Hochwald	Dairy products	806	1,240
25	Univeg	Fruits and vegetables	768	3,300
26	August Storck	Sweets	730	1,600
27	Sprehe Gruppe	Poultry	730	730
28	Pfeifer & Langen	Sweets	728	848
29	Arla Foods	Dairy products	724	7,400
30	Danish Crown	Meat products	690	7,000

Source: Lebensmittel Zeitung, FAS Berlin. Approximate figures.

The German food processing industry has benefitted from EU expansion with over half of the region’s agricultural exports going to other EU Member States. Greater growth opportunities are nowadays to be found outside the EU, in for instance the BRICS countries. The on-going consolidation in the food processing industry, driven by the growing buying power of retailers, impacts the price and condition negotiations between processors and food ingredient.

D. Sector Trends

Investments

According to the United Nations Conference on Trade and Development (UNCTAD), Germany ranks number seven among recipients of foreign direct investment (FDI) worldwide.
In 2011, 57% (€ 313 billion) of all FDI stocks in Germany originate from within the EU-27 and another 9% are contributed from the remaining non-EU countries. 23% of FDI stock stem from the United States while Asia accounts for the second largest amount of FDI in Germany.
For foreign investors the German market is very attractive. Indeed, the Ernest & Young Study

revealed that Germany is ranked number one of the most attractive business locations in Europe and number six worldwide. The “First Choice in Europe” study from 2013 also shows that 73% of U.S. companies name Germany as the most attractive European country for FDI. Germany attracts companies because of its stable political and macroeconomic climate, a highly developed financial sector, the presence of a well-educated and productive labor force, and the high quality of the physical and communications infrastructure. Some potential investment boundaries in attracting foreign direct investments, however, include relatively high wage costs and heavy administrative burdens.

Section III. Competition

The main competitors for U.S. suppliers include producers in other European Union countries such as the Netherlands, Italy, France, Austria, and Belgium. Key country competitors listed by product category can be found in the following table.

Overall competitive situation for U.S. exports

Product category Total Import in million US$	Main suppliers in percentage	Strengths of Key supply countries	Advantages and Disadvantages of Local Suppliers
PG 30 Breakfast Cereals 265	1. France 17.0 2. Belgium 15.4 3. Netherlands 14.6 16. U.S. 0.2	Distance, availability and regional products	Developed processed food industry
PG 31 Snack Foods 3,180	1. Belgium 22,5 2. Netherlands 17.7 3. Switzerland 8.3 22. U.S. 0.22	Distance, availability and regional products	Developed confectionary industry
HS 02: Meat 8,520	1. Netherlands 20.0 2. Belgium 12.8 3. Denmark 11.75 18. U.S. 0.9	Distance and availability	Focus on dairy production instead of beef production. Genetics need improvement
HS 03: Fish and Crustaceans 4,748	1. Poland 16.0 2. Netherlands 11.3 3. Denmark 11.3 6. U.S. 5.0	1,2: Distance and availability 3: Price/quality ratio	Tradition in seafood trading and processing, fish is popular
HS 04: Dairy Produce; Birds Eggs and Natural Honey 6,765	1. Netherlands 26.4 2. France 16.6 3. Austria 8.7 24. U.S. 0.2	Proximity	Great tradition of milk and milk based products
HS 07: Edible vegetables 6,187	1. Netherlands 38.6 2. Spain 20.6 3. Italy 8.8 16. U.S. 0.3	1: Proximity 2,3: Tradition, different climate/ supply/ taste/ varieties	Products not sufficiently available on local market
HS 08: Edible Fruits and Nuts 8,597	1. Spain 19.8 2. Netherlands 18.4 3. Italy 12.8	1,3: Tradition, different climate/ supply/ taste/ varieties	Products not sufficiently available on local ma

	6. U.S. 5.5	2: Proximity	
HS 09: Coffee, Tea, Mate and Spices 5.735	1. Brazil 23.0 2. Vietnam 12.3 3. Honduras 8.6 38. U.S. 0.12	Trading tradition	No domestic availability, Re-export
HS 16: Edible Preparations of Meat Fish, Crustaceans 3,079	1. Netherlands 14.0 2. Poland 11.5 3. Austria 10.2 26. U.S. 0.6	1,3: Proximity 3: Price/quality ratio	Not sufficiently domestically available
HS 19: Preparation off Cereals, Flour, Starch or Milk 3,531	1. Italy 20.7 2. France 14.6 3. Netherlands 12.0 25. U.S. 0.23	Proximity and re-export	Not sufficiently domestically available
HS 20: Preparations of Vegetables, fruits, Nuts 5,520	1. Netherlands 23.2 2. Italy 14.0 3. Turkey 8.7 20. U.S. 0.46	Proximity	Not sufficiently domestically available
HS 21: Miscellaneous Edible Preparations 3,159	1. Netherlands 17.6 2. France 11.2 3. Italy 8.9 12. U.S. 1.5	Proximity and re-export	Not sufficiently domestically available
HS 22: Beverages, Spirits, Wine and Vinegar 8,550	1. France 19.2 2. Italy 19.0 3. Netherlands11.0 8. U.S. 4.9	Excellent regional products	Not sufficiently domestically available

Source: FAS Berlin

Section IV. Best Product Prospects

Products in the market that have good sales potential

- Fish & Seafood: Salmon, surimi, roe & urchin, misc. fish products
- Nuts: Almonds, hazelnuts, pecans, pistachios, walnuts
- Highly processed ingredients (dextrins, peptones, enzymes, lecithins and protein concentrates)
- Dried & Processed Fruit: Cranberries, prunes, sour cherries, wild berries
- Fruit juice concentrates: Cranberry, grapefruit, prune
- Vegetable oils
- Beef & Game: Hormone-free beef, bison meat, exotic meat and exotic processed meat products
- Organic products
- Seeds: Sunflower seeds
-

Products not present in significant quantities, but which have good sales potential

- Ingredients for the natural and healthy foods industry
- Bakery products
- Dairy products (whey, milk powder)
- Millet, spelt and meslin
- Pulses
-

Products not present because they face significant boundaries

- Food additives not approved by the European Commission
- Red meat & meat products with hormones
- Most poultry & eggs
- Biotech derived products

Section V. Post Contact and Further Information
If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the U.S. Office of Agricultural Affairs in Berlin:

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